



Salada Foods Jamaica Limited

Interim Financial Report to Stockholders

For the Six Months to March 31, 2017

	6 months March 31 2017	6 months March 31 2016	% Change
Gross Revenue	404,375	348,116	16%
Gross Margin	35.7%	35.1%	2%
Operating Profit	53,791	34,574	56%
Interest and Other Investment income and Exchange Gains	7,680	4,338	77%
Profit after Tax	44,906	29,036	55%
EPS (cents)	44.7	29.7	51%

For the six month period ended March 31, 2017, net profit was \$44.906 million up by 55% from the \$29.03 million posted for the corresponding period prior year. The main drivers for the improved profits were increased revenue from domestic sales, improved margins and gains on investment.

Revenue was \$404.375 million, an increase of 16% when compared to prior year results of \$348.116 million. Top-line growth was attributed to improved sales through our local distributor and sales of products manufactured under contract. Product sales of our flagship brand Jamaica Mountain Peak into the local trade grew by 12.8% over the corresponding period as marketing initiatives continue to drive brand awareness. New marketing initiatives implemented to improve product sales in export markets specifically, in New York have been yielding positive results and we anticipate this trend to continue.

Margins of 35.7% compared favourably to prior year. The improvement was primarily driven by manufacturing efficiencies.

Net finance income of \$7.68 million, \$3.34million better than the corresponding period of the prior year is attributed to more adroit treasury management.

Selling and promotional expenses for the six months to March 31 were \$27.54 million, \$4.75 million higher than prior year due to increased marketing spend to support our brands. Administrative expenses of \$61.01 compared favourably to prior year.

Investment in the growth of local ginger, a vertical integration initiative undertaken since 2014 has resulted in losses as the crop has been affected by disease, rhizome rot. This has resulted in a \$3.0 million loss. This project has been halted and partnership with local farmers will be pursued to secure local ginger for the manufacture our ginger products.



Management continues to pay keen attention to inventory management practices. Inventory as at March 31st stood at \$254.651million compared to the corresponding prior year value of \$309.25 million and \$279.10 million as at fiscal year-end September 2016. These efforts will continue for the rest of the financial year.

The performance of one of our subsidiaries, Pimora remains challenged in its thrust to gain market acceptance of its innovative pimento smoker in both local and export markets.

The launch of Jamaica Mountain Peak flavoured coffees signals Salada's thrust to improve local market share with the introduction of new products and new brands. Exports remain paramount on our growth agenda as we strategically grow our footprint in North America, specifically in areas with strong Diaspora support.

A handwritten signature in cursive script that reads "Patrick Williams".

Patrick Williams Chairman

A handwritten signature in cursive script that reads "Michael Bernard".

Michael Bernard Director



Salada Foods Jamaica Limited (Group)

Unaudited Consolidated Statement of Comprehensive Income For Six Months ended March 31, 2017

	Three Months ended		Six Months ended	
	March 31 2017	March 31 2016	March 31 2017	March 31 2016
	\$'000	\$'000	\$'000	\$'000
Revenue	209,101	159,486	404,375	348,116
Cost of Sales	(127,429)	(96,159)	(259,916)	(226,008)
Gross Profit	81,672	63,327	144,459	122,108
Other operating (loss)/income	(2,959)	(2,326)	(2,109)	(1,974)
Selling and promotional expenses	(13,976)	(10,133)	(27,549)	(22,799)
Administrative expenses	(31,675)	(32,675)	(61,010)	(62,761)
Operating profit	33,062	18,194	53,791	34,574
Net Finance income	4,435	2,631	7,680	4,338
Profit before taxation	37,497	20,825	61,471	38,912
Taxation	(9,890)	(5,267)	(16,565)	(9,876)
Total comprehensive income	27,607	15,558	44,906	29,036
Attributable to:				
Stockholders of the company	28,320	15,547	46,445	30,847
Non-controlling interest	(713)	11	(1,539)	(1,811)
	27,607	15,558	44,906	29,036
Earnings per stock unit	\$0.27	\$0.15	\$0.45	\$0.30



Salada Foods Jamaica Limited (Group)
Unaudited Consolidated Statement of Financial Position
March 31, 2017

	Unaudited March 31 2017 <u>\$'000</u>	Unaudited March 31 2016 <u>\$'000</u>	Audited September 30 2016 <u>\$'000</u>
NON-CURRENT ASSETS			
Property, plant and equipment	132,187	155,629	154,454
Assets held for sale	43,030	42,492	43,030
Intangible assets	7,057	9,286	8,171
Employee benefit asset	22,724	14,451	24,662
Investment	49,628	-	49,071
Deferred tax asset	42,231	41,205	40,331
	<u>296,857</u>	<u>263,063</u>	<u>319,719</u>
CURRENT ASSETS			
Cash and cash equivalents	148,935	61,182	126,469
Investments	82,920	65,602	67,863
Accounts receivable	131,929	141,031	147,201
Inventories	254,651	309,250	279,102
Biological assets	-	354	2,050
Taxation recoverable	-	-	34
	<u>618,435</u>	<u>577,419</u>	<u>622,719</u>
TOTAL ASSETS	<u>915,292</u>	<u>840,482</u>	<u>942,438</u>
STOCKHOLDERS' EQUITY			
Share capital	73,216	73,216	73,216
Capital reserves	16,275	16,275	16,275
Retained earnings	687,452	640,875	686,716
	<u>776,943</u>	<u>730,366</u>	<u>776,207</u>
NON-CONTROLLING INTEREST	<u>1,515</u>	<u>(3,935)</u>	<u>3,054</u>
	<u>778,458</u>	<u>726,431</u>	<u>779,261</u>
NON-CURRENT LIABILITY			
Finance lease obligation	9,421	2,997	13,405
Employee benefit obligation	32,360	36,119	32,360
	<u>41,781</u>	<u>39,116</u>	<u>45,765</u>
CURRENT LIABILITIES			
Accounts payable	74,203	68,295	102,787
Taxation payable	13,065	5,212	7,210
Current portion of Finance lease obligation	7,785	1,428	7,415
	<u>95,053</u>	<u>74,935</u>	<u>117,412</u>
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES	<u>915,292</u>	<u>840,482</u>	<u>942,438</u>

Approved by:

Patrick Williams – Chairman

Michael Bernard - Director



Salada Foods Jamaica Limited (Group)

Unaudited Consolidated Statement of Changes in Equity Attributable to Stockholders of the Company For Six Months Ended March 31, 2017

	Share Capital \$'000	Capital Reserve \$'000	Retained Earnings \$'000	Non- controlling Interest \$'000	Total \$'000
Balances at September 30, 2016	73,216	16,275	686,716	3,054	779,261
Total comprehensive income for the period			46,445	(1,539)	44,906
	73,216	16,275	733,161	1,515	824,167
Dividends paid			(45,709)		(45,709)
Balances at March 31, 2017	<u>73,216</u>	<u>16,275</u>	<u>687,452</u>	<u>1,515</u>	<u>778,458</u>

	Share Capital \$'000	Capital Reserve \$'000	Retained Earnings \$'000	Non- controlling Interest \$'000	Total \$'000
Balances at September 30, 2015	73,216	16,275	651,581	(2,124)	738,948
Total comprehensive income for the period			30,847	(1,811)	29,036
	73,216	16,275	682,428	(3,935)	767,984
Dividends paid			(41,553)		(41,553)
Balances at March 31, 2016	<u>73,216</u>	<u>16,275</u>	<u>640,875</u>	<u>(3,935)</u>	<u>726,431</u>



Salada Foods Jamaica Limited (Group)
Unaudited Consolidated Statement of Cash Flows
Period ended March 31, 2017

	Unaudited March 31 2017 \$'000	Unaudited March 31 2016 \$'000
Cash flows from operating activities:		
Profit for the period	44,906	29,036
Adjustments for Items not involving cash:		
Depreciation	28,100	19,141
Income Tax Expense	18,262	12,220
Deferred Taxation	(1,698)	(2,345)
Interest Income	(4,081)	(2,850)
Interest Expense	884	72
Gain on Disposal	(11)	-
Employee benefit Asset	1,938	1,938
	<u>88,300</u>	<u>57,212</u>
Changes in operating assets and liabilities:		
Inventories	25,424	31,712
Investments	(15,614)	(50,602)
Accounts receivable	15,350	(50,684)
Accounts payable	(29,556)	7,878
Cash provided by operations	<u>83,904</u>	<u>(4,484)</u>
Interest Paid	(884)	(72)
Taxation paid or deducted at source	<u>(12,422)</u>	<u>(4,730)</u>
Net cash provided by operating activities	70,598	(9,286)
Cash flows from investing activities		
Interest Received	3,850	2,850
Purchase of property, plant and equipment	(5,391)	(9,404)
Proceeds from sale of Assets	683	-
Investment in biological assets	2,050	1,664
Cash used by investing activities	<u>1,192</u>	<u>(4,890)</u>
Cash flows from Financing activities		
Finance lease obligation, being cash used by financing activity	<u>(3,615)</u>	<u>4,425</u>
Cash provided before dividends	68,175	(9,751)
Dividends paid	<u>(45,709)</u>	<u>(41,553)</u>
Increase/(decrease) in cash and cash equivalents	22,466	(51,304)
Cash and cash equivalents at beginning of period	<u>126,469</u>	<u>112,486</u>
Cash and cash equivalents at end of period	<u>148,935</u>	<u>61,182</u>



Notes to the Interim Financial Statements

Period ended March 31, 2017

1) Identification

Salada Foods Jamaica Limited ("the company") is incorporated and domiciled in Jamaica. Its principal activity is the manufacture and sale of instant coffee and roasted and ground coffee beans and other consumer products. The company and its subsidiaries are collectively referred to as the "group". The company's registered office is located at 20 Bell Road, Kingston 11 Jamaica, West Indies.

2) Statement of compliance, basis of preparation and significant accounting policies

a) Statement of Compliance

- i) The consolidated financial statements are prepared in accordance with International Financial reporting Standards (IFRS) and their interpretations, issued by the International Accounting Standards Board (IASB), and comply with the provisions of the Jamaican Companies Act.

b) Basis of preparation

- i) These financial statements are presented in Jamaican dollar, which is the functional currency of the group. All information presented in Jamaican dollars has been rounded to the nearest thousands, except when otherwise indicated.
- ii) The financial statements are prepared on the historical cost basis, where necessary, prior period comparatives have been reclassified to conform to current period presentation. The same accounting policies and methods of computation are followed in the interim financial statements, as were followed in the most recent annual financial statements.

c) Significant accounting policies

i) Property, plant & equipment:

Property, plant & equipment are stated at historical cost or deemed cost, less accumulated depreciation and impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the group and its cost can be measured reliably. The cost of day-to-day servicing of property, plant and equipment is recognised in the income statement.



Salada Foods Jamaica Limited (Group)

Notes to the Interim Financial Statements

Period ended March 31, 2017

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

c). Significant accounting policies (cont'd)

ii) Depreciation:

Depreciation is computed on a straight-line basis at annual rates estimated to write down the property, plant & equipment to their estimated residual values at the end of their expected useful lives. No depreciation is charged on freehold land. Annual depreciation rates are as follows:

Buildings	2.5 - 10%
Infrastructure	2.5 – 10%
Machinery and equipment	2.5 - 20%
Motor vehicles	20%

The depreciation methods, useful lives and residual values are reassessed at the reporting date.

iii) Inventories:

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost basis. The cost of finished goods and work-in-progress comprises raw and packaging materials, direct labour, other direct costs and a proportion of related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of other inventories is based on the FIFO principle and includes expenses incurred in acquiring and bringing them to their existing location and condition.

iv) Accounts receivable:

Trade and other receivables are stated at amortised cost, less impairment losses.

v) Cash and cash equivalents:

Cash and cash equivalents comprise cash and bank balances, other short-term investments and other monetary instruments with maturities ranging between one and twelve months from the statement of financial position date.

vi) Accounts payable:

Trade and other payables are stated at amortised cost.



Salada Foods Jamaica Limited (Group)

Notes to the Interim Financial Statements

Period ended March 31, 2017

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

c). Significant accounting policies (cont'd)

vii) Revenue:

Revenue from the sale of goods is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or material associated costs on the possible return of goods.

viii) Income tax:

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the profit or loss except to the extent that it relates to items recognised directly to equity, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the statement of financial position date.

ix) Finance lease obligation

As Lessee

Leases of fixed assets where the group assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in finance lease obligation. The interest element of the finance charge is charged to the income statement over the lease period. The fixed asset acquired under finance lease contracts is depreciated over the estimated useful life of the asset.



Salada Foods Jamaica Limited (Group)
Notes to the Interim Financial Statements
Period ended March 31, 2017

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

c). Significant accounting policies (cont'd)

x) Segment reporting:

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses; whose operating results are regularly reviewed by the entity's Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance; and for which discrete financial information is available.

Based on the information presented to and reviewed by the CODM, the entire operations of the company are considered as one operating segment.

SALADA FOODS JAMAICA LIMITED

LIST OF SHAREHOLDERS

AS AT 31 MARCH

10 LARGEST SHAREHOLDERS

SHAREHOLDERS	SHAREHOLDING
RESOURCE IN MOTION LIMITED	60,233,700
AC (JAMAICA) LIMITED	8,988,120
DONWS LIMITED	7,504,280
IDEAL PORTFOLIO SERVICES COMPANY LIMITED	3,217,477
JAMAICAN TEAS LIMITED BUYING ACCOUNT	2,958,985
IDEAL GROUP CORPORATION LIMITED	2,726,000
IDEAL FINANCE CORPORATION LIMITED	2,620,000
IDEAL BETTING COMPANY LIMITED	2,755,310
DONOVAN A. LEWIS	1,677,400
CARIBBEAN TRUST & MERCHANT BANK	1,030,760
	93,712,032

SHAREHOLDINGS OF DIRECTORS' & CONNECTED PARTIES

AS AT 31 MARCH 2017

DIRECTORS	TOTAL SHAREHOLDING	DIRECT	CONNECTED
Bernard, Michael	0	0	0
Hill, Aubyn	0	0	0
Lewis, Kathryn	81,447,767	1,000	81,446,767
Stultz, Eric	0	0	0
Williams, Patrick	0	0	0

COMPANY SECRETARY	TOTAL SHAREHOLDING	DIRECT	CONNECTED
Smith, Michelle	0	0	0

SENIOR MANAGEMENT HOLDINGS

AS AT 31 MARCH 2017

SENIOR MANAGERS	TOTAL SHAREHOLDING	DIRECT	CONNECTED
Blake-Bennett, Dianna	0	0	0
Kerr, Andrew	0	0	0
Lemard, Dave	0	0	0
Lewis, Lorna	0	0	0